



## **2025-26 Budget Package Highlights**

July 3, 2025

On Monday, June 30, Governor Newsom signed the package of bills that make up the 2025 State Budget, which took effect immediately upon signature. Totalling approximately 321 billion dollars, a number of details remain to be worked out through subsequent legislative action, expected over the next few weeks. While the 2025-26 fiscal year began July 1st, ongoing uncertainty over federal funding has raised the possibility of a special session to revisit the budget later in the year when the picture is clearer. Additionally, negotiations for the renewal of the cap-and-trade program are ongoing.

Below are some key highlights of the Budget Act of 2025, by topic area, that may be of interest to California's rural counties:

### **AIR QUALITY**

The Budget Act of 2025,

- Defers reauthorization of the state's Cap-and-Trade program to the summer, along with most allocations of funds derived from the program.
- Defers allocation of funds from the \$10 billion climate bond passed by voters under Proposition 4 to the summer.

### **CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)**

Numerous changes were made to CEQA in Senate Bill 131, which included several components of RCRC co-sponsored legislation (Senate Bill 607, Wiener). While not as transformative as SB 607, SB 131 still provides much-needed CEQA relief, by doing the following:

- Declares that CEQA should not be used primarily for economic interests, to stifle competition, gain competitive advantage, or delays projects for reasons unrelated to environmental protection.
- Vests responsibility for determining whether a project is exempt from CEQA in the lead agency.

- Allows housing projects that would otherwise be exempt from CEQA but for a single condition to focus the project's environmental review on the effects caused by that single condition. For these "near miss" projects, the bill states that environmental impact reports are not required to discuss alternatives to or growth-inducing impacts of the projects.
- Narrows the scope of documents that must be included in the administrative record under CEQA.

Exempts from CEQA:

- Rezonings that implement the actions contained in an approved housing element, except for construction within the boundaries of any natural and protected lands, as defined in Public Resources Code Section 21067.5.
- New agricultural employee housing projects meeting certain requirements.
- Repair or maintenance of existing farmworker housing projects.
- Until 2032, projects to provide sewer service to a disadvantaged community served by inadequate sewage treatment systems provided that the project meets certain labor standards. Also extends for four years an existing CEQA exemption for drinking water projects that meet certain labor standards.
- Until 2030, community water system projects funded by Proposition 4 or the Safe and Affordable Funding for Equity and Resilience program,
- Wildfire risk reduction projects, including:
  - Prescribed fire or fuel reduction projects under 50 acres and located within ½ mile of a subdivision of 30 or more units after consulting with the Department of Fish and Wildlife to avoid or minimize impacts on protected species and wildlife nursery sites.
  - Clearance of defensible space 100' from the centerline of a public roadway identified as an egress and evacuation route for a subdivision or community of 30 or more dwelling units.
  - Establishment or enhancement of residential home hardening and defensible space within 200' of a legal structure located in a high or very high wildfire hazard zone.

- Construction of a fuel break that extends up to 200' from structures, including clearance of trees less than 12" in diameter at chest height.
- Broadband projects along or within 30' of the right of way of any public road or highway.
- Updates to the state's climate adaptation strategy.
- Actions and approvals related to planning, design, site acquisition, construction, operation or maintenance of a public park or nonmotorized recreational trail funded by Proposition 4.
- Day care centers not located in a residential area.
- Rural health clinics and federally qualified health centers less than 50,000 square feet.
- Nonprofit food banks and food pantries.
- Advanced manufacturing facilities, as defined in PRC 26003, located on industrial sites.
- Construction or operation of a heavy maintenance facility or passenger rail station that serves high speed rail.

AB 130, another budget trailer bill also signed into law June 30, creates a new CEQA exemption for infill housing projects under 20 acres either located within the boundaries of a city or within an urban area and that meets other site and prevailing wage requirements.

### **COMMUNITY and ECONOMIC DEVELOPMENT – Housing and Homelessness**

The Budget Act of 2025, does the following:

- Provides \$500 million for Round 7 of the Homeless Housing, Assistance and Prevention (HHAP) Program and contains placeholder language for modified rules for that Round 7 funding eligibility.
- Redirects \$20.5 million in Infill Infrastructure Grant (IIG) Proposition 1C (2006) bond funds for the 2025 Tribal Super NOFA in 2025-26, and extends the liquidation deadline for specified Infill Infrastructure Grant (IIG) awardees for an additional

three years from June 30, 2026, to June 30, 2029, to fully liquidate the funds they received.

### **COUNTY OPERATIONS - Cannabis**

The Budget Act of 2025, does the following:

- Permits a shift to the Cannabis Tax Fund to cover costs related to maintaining and operating the track and trace system and conducting civil and criminal enforcement of unauthorized commercial cannabis activity.
- Revises the eligibility of local governments related to Board of State and Community Corrections (BSCC) Prop 64 grants by:
  - allowing BSCC to award grants to local governments that ban both indoor and outdoor commercial cultivation
  - adding, as eligible grantees, local governments that allow retail of cannabis in storefront or – for small jurisdictions (10,000 in population or fewer) – delivery to both medicinal and recreational use consumers.

### **FOREST and PUBLIC LANDS STEWARDSHIP**

The Budget Act of 2025 includes:

- \$12.5 million for a new community home hardening program consisting of \$9.5 million for the Wildfire County Coordinator Program and \$3 million for a new home hardening certification program under the Office of the State Fire Marshal.
- \$1 billion in the 2025-26 budget year from the Greenhouse Gas Reduction Fund (GGRF) for CAL FIRE operations. The final allocations also include \$1.25 billion for the 2026-27 budget year, \$500 million for 2027-28 and \$500 million for 2028-29 if the General Fund is projected to be in a deficit. If the General Fund is not projected to be in a deficit, then it reduces the allocations from the GGRF to CAL FIRE to \$500 million in the 2026-27 budget year and defers future year allocations. The Legislature rejected the Governor's proposed \$1.5 billion annual allocation through 2030.

### **HEALTHCARE and SOCIAL SERVICES**

The Budget Act of 2025 does the following:

- Delays the Governor's proposal to cut \$1.1 billion ongoing from Health Centers and Rural Health Clinics until July 1, 2027.

- Passes some In-Home Supportive Services costs on to counties, beginning July 2026, if the state ceases to receive enhanced federal financial participation due to noncompliance of timely case reassessment for the Community First Choice Option program within the In-Home Supportive Services (IHSS) program, requires 100 percent of the federal penalty to be paid by counties. For the 2025-26 fiscal year only, establishes that the state and county shall each pay 50 percent of the federal penalty.
- Rejects the Governor's proposal to cap overtime hours for IHSS providers.
- Rejects the Governor's proposal to eliminate IHSS for undocumented Californians.

#### CalWorks

- Clarifies that for participants in the CalWORKs program, counties shall provide a prepopulated semiannual report for program renewal either by mail or electronically.
- Requires final policy guidance for changes to the prepopulated semiannual report to be completed by the California Department of Social Services (CDSS) by August 15, 2025.

#### Child Welfare

- Requires county child welfare agencies to convene child and family team meetings for children and youth receiving family maintenance services.
- Restricts the use of Adoption Assistance Program (AAP) payments for placement in an out-of-state residential treatment facility to only those adopted children whose parent(s) live in the state outside of California in which the facility is located.
- Provides \$31.5 million (\$23 million General Fund) in bridge funding for Foster Family Agencies to prevent agency closures, including matching federal funds.

#### Medi-Cal Eligibility

- Beginning January 1, 2026, imposes a freeze on enrollment in full-scope Medi-Cal coverage for undocumented individuals, age 19 and older, with a three-month grace period after disenrollment to re-enroll in full-scope Medi-Cal.

- Beginning July 1, 2027, imposes premiums of \$30 per beneficiary on individuals in full-scope Medi-Cal coverage with unsatisfactory immigration status, ages 19 to 59, with a three-month “cure” period to remit unpaid premiums before being disenrolled.
- Beginning July 1, 2026, eliminates dental coverage in full-scope Medi-Cal for individuals with unsatisfactory immigration status.
- Beginning July 1, 2026, eliminates community clinic reimbursement through the Prospective Payment System for individuals with unsatisfactory immigration status and, instead, requires reimbursement through the fee-for-service delivery system.
- Beginning January 1, 2026, reinstates the Medi-Cal asset limit at \$130,000 for individuals, and \$65,000 for each additional household member, when determining eligibility for Medi-Cal coverage.

## **PUBLIC SAFETY and EMERGENCY MANAGEMENT**

The Budget Act of 2025 includes:

- \$50 million General Fund for Behavioral Health;
- \$30 million for judicial workload, including collaborative courts;
- \$15 million for pre-trial services\*; and
- \$15 million for public defenders in 2025-26 to support the implementation of Proposition 36.

*\* The \$15 million for pre-trial services is only a partial restoration of the cut proposed in the May Revision; pre-trial funds go to courts, not directly to counties.*

The Budget Act of 2025 also:

- Approves the proposal to close one (unnamed) prison to achieve \$150 million in annual savings.
- Rejects the proposal on Senate Bill 678 (Community Corrections Performance Incentive Grant), and instead freezes the levels to incorporate the cut from last year.
- Establishes a new distribution methodology for Juvenile Justice Realignment Block Grant (JJRBG) funds, which accompanied the shift in responsibility to counties for the youth who – prior to the passage of SB 823 (2020) – were eligible for placement and the state’s now-shuttered Division of Juvenile Justice facilities. The new methodology:

- Specifies new distribution formula beginning in 2026-27, with increasing reliance each year through 2028-29 on least restrictive placements.
- Requires that the Office of Youth and Community Restoration reevaluate the distribution formula by January 2030 based on its effectiveness in meeting specified legislative goals.
- Specifies new elements of each county's plan for providing services to the juvenile justice population, including information on the county's least restrictive programs as well as new JJRBG expenditure reporting.
- Prohibits a county from allocating funding to any juvenile facility that has been deemed unsuitable for the confinement of youth and permits a county to withhold funding from any entity or department that operated a juvenile facility that had been deemed unsuitable.

## **WATER and WILDLIFE**

The Budget Act of 2025 includes \$2 million for the Gray Wolf Compensation Program, which repays California ranchers for livestock depredations as a result of the state's growing population of endangered gray wolves.

In addition to the Budget Act, the Legislature often passes additional legislation, known as budget trailer bills. The highlights above include recently passed trailer bills, and the Legislature is expected to consider additional trailer bills throughout the summer.

For additional detail about the latest developments regarding the Budget Act of 2025, [see here](#) for analysis by RCRC's advocacy partners, *Hurst Brooks Espinoza, LLC*.

To learn more about the trailer bill content, visit the [Department of Finance](#) (DOF) website where most of the content has been posted for the past several weeks or months. To learn more about the highlights included in this document, view the language of 2025 Budget Act Chaptered Trailer Bills [here](#).